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TO RUEHC/SECSTATE WASHDC IMMEDIATE 5022

INFO RUEHZS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS IMMEDIATE  
RHHMUNA/CDRUSPACOM HONOLULU HI IMMEDIATE

RUEKJCS/SECDEF WASHDC IMMEDIATE

UNCLAS SECTION 01 OF 03 MANILA 001835

SENSITIVE

SIPDIS

DEPARTMENT OF DEFENSE, PLEASE PASS TO TRANSCOM

E.O. 12958: N/A

TAGS: [MARR](#) [MOPS](#) [OVIP](#) [PINR](#) [PINS](#) [PREL](#) [RP](#)

SUBJECT: SCENESETTER FOR TRANSCOM COMMANDER GENERAL DUNCAN

[TJ](#). MCNABB

**¶1. (SBU) SUMMARY:** General McNabb, welcome to the Philippines! The relationship between the United States and the Philippines continues to remain strong. U.S. interests in this Major Non-NATO Ally center on strengthening democracy, fostering economic growth, fighting terrorism, and providing superb services to our American and Filipino publics. The U.S. continues to be the Philippines' largest trading partner, the largest investor, and the largest donor of grant foreign assistance. During your visit, you will meet with the Ambassador, receive a briefing from the Mission Country Team, and meet with senior officials from the Asian Development Bank. The current Arroyo Administration is strongly pro-U.S., and committed to continued close security, intelligence, and economic ties. Our entire team looks forward to making your visit productive and useful. END SUMMARY.

PHILIPPINE POLITICS

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**¶2. (SBU)** With less than a year left in office, President Gloria Macapagal Arroyo continues to balance competing political interests amidst economic challenges. President Arroyo has weathered numerous unsuccessful impeachment efforts and low-level military coup attempts. Her administration has been plagued by allegations of serious corruption, as well as charges her supporters are attempting to juggle the Philippine Constitution to extend legal protection for Arroyo and her family after her term ends next year. With national elections scheduled for May 2010, nearly 20 cabinet members have announced their intention to seek office. Some presumed candidates have attempted to politicize aspects of our security relationship, such as the Visiting Forces Agreement (VFA), but none of the likely presidential contenders would represent a radical departure from the status quo. President Arroyo met with President Obama in the Oval Office July 30, and, following additional meetings with key U.S. cabinet members, returned to Manila earlier than scheduled due to the August 1 death of former President Corazon Aquino, a much-beloved icon of democracy.

PHILIPPINES ECONOMIC GROWTH SLOWS

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**¶3. (U)** The Philippine economy has averaged better than five percent growth for the past eight years, but under the impact of the global financial crisis, GDP growth may be outpaced by the country's annual 2.04 percent population growth. Should the global economic downturn be prolonged, the impact on poverty in the Philippines, where more than 40 percent of the population lives on less than two dollars per day, could have a tangible impact on domestic politics. Poverty is especially severe in the Muslim areas of the southern Philippines. On the positive side, the Philippine banking

system is relatively sound and not heavily exposed to risks from current global financial turmoil. The U.S. remains the Philippines' largest trading partner, with over USD 17 billion in two-way trade during 2008, and is one of the largest investors, with USD 6.7 billion in equity.

#### ASIAN DEVELOPMENT BANK

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**14.** (U) The mission of the Asian Development Bank (ADB), established in 1966, is to reduce poverty and improve the quality of life among its developing country members. Its main tools for accomplishing this mission are loans, technical assistance, grants, advice, and knowledge. The ADB is owned and financed by its 67 members. Under its long-term strategy adopted in 2008, the ADB concentrates on inclusive growth, environmentally sustainable growth, and regional integration. Southeast Asia remains the region with the most ongoing ADB projects, although its loans and grant assistance to Central and West Asia have been growing most rapidly. Under the Central Asia Regional Cooperation Program, the ADB has facilitated significant advances in regional cooperation on trade policy, transport, and energy.

**15.** (SBU) The Philippines is one of the ADB's founding members, its 11th-largest shareholder, and its 5th-largest borrower, accounting for about eight percent of total sovereign and non-sovereign lending. In response to criticisms that ADB's large program with the Philippines had yielded less than expected results, coupled with the current economic uncertainties in the Philippines economy, the ADB is

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showing greater selectivity of the projects it supports in the Philippines. The current ADB country strategic plan allows wide flexibility in the ADB-Philippines partnership to ensure that new operations do not run ahead of the political, macroeconomic, and sector supports needed for sustainability and high impact.

#### PROMOTING HUMAN RIGHTS

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**16.** (SBU) President Arroyo continues to express her commitment to making greater progress on the long-standing problem of extrajudicial killings, and has taken concrete steps in this direction. Partly due to increased attention by the Philippine government, the number of extrajudicial killings decreased dramatically through 2007 and 2008. While many execution-style slayings among politicians and others may be the result of local disputes and long-standing feuds among rival clans, the government acknowledges the need to do more to ensure that all such crimes -- whether or not linked to security forces -- are fully investigated, and that those responsible are brought to justice. The Embassy continues to press the issue at the highest levels of the Philippine government, and continues to conduct a comprehensive plan of public outreach activities, training, and institution-building to make further progress in addressing the problem.

#### SUCCESSFUL COUNTERTERRORISM EFFORTS

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**17.** (SBU) The Philippines and the United States have scored important successes on the security cooperation and counterterrorism fronts. This alliance has resulted in the death or capture of a dozen key terrorist leaders and over 250 other terrorism suspects in the last three years. Defense Secretary Teodoro recently emphasized that the Philippine government achieved success against key high-value individuals of the Abu Sayyaf Group (ASG) and Jemaah Islamiyah (JI) terrorist organizations despite persistent

shortfalls in logistical assets. He greatly values the contributions of U.S. military personnel in improving the combat capability of Philippine forces. A brazen January kidnapping on Jolo island by the ASG of three members of the International Committee of the Red Cross (who subsequently obtained their freedom) highlights the continuing challenges that face the Philippine military and police in securing volatile areas.

#### PEACE PROCESS

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**¶8. (SBU)** In recent weeks, the Philippine government and members of the separatist Moro Islamic Liberation Front (MILF) have established a new ceasefire and taken steps toward restarting formal peace talks, demonstrating that both sides share a mutually reinforcing commitment to peace. This ceasefire ended a year of fighting that followed a Philippine Supreme Court decision in August 2008 that a key peace deal with the MILF was unconstitutional. The two sides have pledged to work toward a new framework for engagement and to aid the return of tens of thousands of internally displaced persons (IDPs) affected by the conflict. The U.S. Mission is initiating new programs and reinforcing existing ones to support the return of IDPs to their homes and their livelihoods, in cooperation with local Philippine authorities and military. U.S. support through development assistance will be an important component of a successful peace process, for which many are now cautiously optimistic.

#### STRONG DEFENSE RELATIONSHIP

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**¶9. (SBU)** Bilateral defense ties remain strong across a range of key activities, including counterterrorism operations, disaster relief, and multilateral engagement. Philippine officials believe continued U.S. military assistance is essential and that expanded programs could provide greater improvements in areas ranging from regional security to human rights. Despite court challenges to the 1998 Visiting Forces Agreement (VFA) and opposition from leftists to a U.S. military presence, the Philippine Supreme Court ruled in February that the VFA is constitutional. During her July 30 Oval Office meeting with President Obama and in a later separate meeting with Secretary Clinton, President Arroyo

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voiced strong support for the VFA and our military partnership. Agreement was also reached on a memorandum to increase cooperation against high-seas piracy -- a subject of special interest to the Philippines, given the nation's status as home to nearly one-third of the world's commercial seamen.

**¶10. (SBU)** We have a robust military presence in the Philippines -- a Joint U.S. Military Assistance Group (JUSMAG), Defense Attach Office, and approximately 550 Joint Special Operations Task Force-Philippines (JSOTF-P) personnel. Such depth allows us to have offer broad and far-reaching assistance to the Philippine military. Members of JSOTF-P work side-by-side with Philippine troops in Mindanao and the Sulu Archipelago, advising and assisting them in counterterrorism operations. At the same time, our military closely cooperates with U.S. law enforcement and intelligence agencies to achieve important counterterrorism successes. In addition to its traditional focus on training and military sales, JUSMAG is helping the Armed Forces of the Philippines (AFP) to revise its doctrine to promote ethics and human rights. The Philippines is an active provider of peacekeeping troops around the world, contributing to eight United Nations operations. This year, three Philippine nominees were accepted to U.S. service academies, one at each institution.

#### USAID'S ROLE

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¶11. (SBU) Since the mid-1990s, USAID has implemented a sizable and highly effective program throughout the island of Mindanao and the neighboring Sulu Archipelago provinces of Basilan, Jolo, and Tawi-Tawi. Approximately two-thirds of USAID resources for the Philippines have been committed to these areas, complemented by Department of Defense 1207 funds, JSOTF-P activities, and humanitarian missions such as the USNS Mercy. USAID-sponsored activities in these areas include infrastructure development, school computerization, health and education improvement, environmental management, former combatant reintegration, and governance. USAID financed the construction of more than 800 community-level and over 40 regional-impact infrastructure projects throughout the conflict-affected communities of the southern Philippines. The primary objective has been to encourage economic growth and demonstrate sustained commitment by the Philippine and U.S. governments to establishing security.

KENNEY